



UNEP Finance Initiative
Innovative financing for sustainability

UNEP FI Position Paper on the United Nations Conference on Sustainable Development (Rio+20)

A Financial Sector Perspective

Who we are

The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership between UNEP and the financial sector, established in the context of the 1992 Earth Summit. Twenty years later, it remains the United Nations' only dedicated partnership with the financial sector.

UNEP FI is a member-driven, voluntary, initiative based on the *UNEP Statement of Commitment by Financial Institutions on Sustainable Development* (see annex).

There are currently over 200 member institutions across the globe, including commercial banks, development banks, insurance and reinsurance companies, institutional investors and investment managers, from both developed and developing countries.¹

Our vision

UNEP FI members share a common vision that sustainable development can only be achieved if the international community takes the necessary measures to reorient itself towards a more balanced, inclusive and green economy, and that this can only be achieved with a stable and sustainable financial sector as its backbone.

We thus believe that the financial sector has a key role to play in achieving sustainable development. Through the integration of sustainability issues directly into their core business, financial institutions can fundamentally contribute to the greening of business and industry, job creation and social inclusion, thus helping society to address sustainability challenges such as social inequity, climate change, resource scarcity and biodiversity loss.

We believe that, to fulfil the financial sector's role, concerted action is necessary between financial institutions, business and industry, and the global policy-making community.

¹ The full list of members/Signatories to the *Statement* is available at www.unepfi.org.

Our position on the Conference

As Signatories to the *UNEP Statement of Commitment by Financial Institutions on Sustainable Development*, the Members of the UNEP Finance Initiative:

1. Believe that the governments of the world have a unique opportunity at Rio+20 to create an enabling environment for the financial sector as a whole to fulfil its role in achieving a balanced, inclusive and green economy, as a pathway to sustainable development.
2. Welcome the international community's commitment to strengthening the institutional framework for sustainable development. Policy and regulatory clarity, certainty and reliability are essential for us, as financiers, investors, and insurers, to play our role in advancing sustainable development.
3. Further welcome the acknowledgement of the important role to be played by business and industry in achieving sustainable development.
4. Are concerned, however, that insufficient reference is made to the specific and catalysing role that the financial sector can play in achieving sustainable development, and to the means necessary to ensure that this role is indeed fulfilled.
5. Believe it is essential that existing efforts within the financial sector to integrate sustainability issues in its business operations be actively encouraged and incentivised. This can enable financial institutions to realise their full potential to influence and align the activities of their clients and investee companies with long-term sustainability goals, and to finance, invest in, and insure sustainable assets and activities at scale.
6. Therefore suggest that governments consider the following key outcomes for the Conference:²

Desired outcomes for the Conference

- I. Highlight the role of the financial sector in achieving sustainable development, in light of its ability to promote the allocation of capital to those businesses and market players operating more sustainably.
- II. Incentivise financial institutions to integrate sustainability issues into their risk management policies and overall decision-making procedures, including those relative to the development of new financial products and services, so as to ensure that any potentially adverse sustainability impacts of financial products, services and transactions are duly identified and managed, while positive sustainability impacts are maximised.

- III. Promote the availability and accessibility of relevant and comparable sustainability information, as key elements in enabling financial sector decision-making that is aligned with the long-term needs of sustainable development. In particular by:
- Facilitating access to information on relevant sustainability-related norms and regulations, as well as on their enforcement.
 - Developing a convention that provides a global policy framework requiring the integration of material sustainability issues within the corporate reporting cycle on a 'report or explain' basis.
 - Encouraging the regular evaluation of the sustainability impacts of commercial and residential properties, and calling for the development of a global framework to establish a practicable and meaningful set of metrics and methodologies to facilitate the implementation of such evaluations. This is key in promoting stronger sustainability practices in the development, retrofit and daily management of properties, and in enabling better decision-making by property owners and occupiers, as well as relevant finance sector players.
- IV. Commit to work closely with the financial sector in building the markets for long-term, sustainable lending, investment and insurance products and services, so as to further promote a financial system that serves sustainable development, and that refocuses financial institutions on their core role in society as unique enablers of the advancement of individuals, companies and nations.
- V. Call for all UN-embedded and UN-backed partnerships with the financial sector and the broader private sector to work together closely in order to enhance their efforts in making sustainable finance a reality.

7. Welcome the initiative of establishing a Registry/Compendium of voluntary commitments and take this opportunity to highlight a number of such commitments that will be made or reaffirmed by financial sector players in Rio:

- UNEP Statement of Commitment by Financial Institutions on Sustainable Development
- UNEP FI Principles for Sustainable Insurance
- Natural Capital Declaration



Richard Burrett

Partner, Earth Capital Partners
Co-Chair, UNEP Finance Initiative



Barbara Krumsiek

CEO, Calvert Investments
Co-Chair, UNEP Finance Initiative

Annex

UNEP Statement of Commitment by Financial Institutions (FI) on Sustainable Development

We members of the Financial Services Sector recognize that economic development needs to be compatible with human welfare and a healthy environment. To ignore this is to risk increasing social, environmental and financial costs. We further recognize that sustainable development is the collective responsibility of governments, businesses and individuals. We are committed to working collectively toward common sustainability goals.

1. Commitment to Sustainable Development

- 1.1 We regard sustainable development - defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs - as a fundamental aspect of sound business management.
- 1.2 We believe that sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values.
- 1.3 We regard financial institutions to be important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities.
- 1.4 We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.
- 1.5 We recognize that the sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges.

2. Sustainability Management

- 2.1 We support a precautionary approach to environmental and social issues, which strives to anticipate and prevent potential negative impacts on the environment and society.
- 2.2 We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.
- 2.3 We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.
- 2.4 We will endeavor to pursue the best practice in environmental management, including energy and water efficiency, recycling and waste reduction. We will seek to form business relations with customers, partners, suppliers and subcontractors who follow similarly high environmental standards.
- 2.5 We intend to update our practices periodically to incorporate relevant developments in sustainability management. We encourage the industry to undertake research accordingly.
- 2.6 We recognize the need to conduct regular internal reviews and to measure our progress against our sustainability goals.
- 2.7 We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development.

3. Public Awareness and Communication

- 3.1 We recommend that financial institutions develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations.
- 3.2 We are committed to share relevant information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental and social risk and promote sustainable development.
- 3.3 We will foster openness and dialogue relating to sustainability matters with relevant stakeholders, including shareholders, employees, customers, regulators, policy-makers and the public.
- 3.4 We will work with the United Nations Environment Programme (UNEP) to further the principles and goals of this Statement, and seek UNEP's active support in providing relevant information relating to sustainable development.
- 3.5 We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.
- 3.6 We recognize the importance of other initiatives by the financial services sector in forwarding the aims and objectives of sustainable finance and will seek to assist such initiatives in an appropriate manner.
- 3.7 We will work with UNEP periodically to review the success in implementing this Statement and expect all Signatories to make real progress.